



Met Council's Jon Commers & Libby Starling

Half of all metro rental households suffer housing cost burden

A Minnesota Affordable Housing Policy Interview

November 9, 2018

Former Metropolitan Council member Jon Commers and Metropolitan Council Director of Regional Planning Libby Starling discuss the issues surrounding affordable housing in the seven-county Twin Cities metro area. Starling and Commers describe the role of the Met Council in supporting more affordable housing and list five steps cities themselves can take to increase the supply of such housing.

Present

John Adams, Steve Anderson, John Cairns (vice chair), Janis Clay (executive director), Jon Commers, Pat Davies, Paul Ostrow (chair), Dana Schroeder (associate director), Clarence Shallbetter, Libby Starling.

Summary

Addressing the issue of affordable housing, Metropolitan Council Director of Regional Planning Libby Starling reports that half of all rental households in the seven-county Twin Cities metro area are spending 30 percent or more of their gross income on housing—the definition of suffering a housing cost burden. And, even more dramatic, 100,000 metro-area households are spending *50 percent* or more of their gross income on housing.

Starling and former Metropolitan Council member Jon Commers discuss the Met Council's latest regional metropolitan development guide, *Thrive MSP 2040*, adopted in 2014. It addresses the three regional systems of transportation, parks and water and also updates the Council's housing plan for the first time since the mid-1980s. Commers says the housing update has invigorated the Council's role in housing issues.

Starling says the Met Council is playing an affirmative role in supporting cities to create more affordable housing through data analysis, funding communities, doing technical assistance, giving moral support to local governments and helping cities determine how to write their own comprehensive plans to be more supportive of affordable housing.

She outlines five steps cities can take to increase affordable housing. In addition to those steps, Starling says some cities have recently instituted mixed-income housing policies and some have developed affordable housing funds. And she notes that cities also should work to prevent the loss of naturally occurring affordable housing, often older housing with modest rents that already exists in their communities.

Starling says the Twin Cities region is doing better on affordable housing than most of its peer regions because it puts more money into housing and works more effectively as a region.

Biographies

Jon Commers served as a member of the Metropolitan Council from his initial appointment by Governor Mark Dayton in March 2011 until March 2019. He represented District 14, which includes the area of Saint Paul west of Interstate 35E.

Commers is managing principal of Visible City, a Saint Paul-based tech consultancy helping clients in city planning and real estate to access and interpret data for decision making. Previously, he worked in the municipal finance and policy fields in the private and nonprofit sectors. He is an adjunct instructor of urban studies at the University of Minnesota and previously taught economics at St. Catherine University.

As a Metropolitan Council member, Commers chaired three committees: the Community Development Committee, the Land Use Advisory Committee and the Investment Review Committee. He also served on the Transportation Committee.

Commers served on the Saint Paul Planning Commission from 2006 to 2011, including serving as its chair and vice chair. He was a policy fellow at the Humphrey School of Public Affairs at the University of Minnesota and has served on numerous boards of directors for community organizations in the region.

Commers received his bachelor's degree in history and political economy from Carleton College in Northfield and his MBA from the University of St. Thomas.

Libby Starling is deputy director of the Community Development Division and director of regional planning for the Metropolitan Council. She is responsible for overseeing the following units within the Community Development Division: Local Planning Assistance, Livable Communities, Regional Parks and Natural Resources, and Regional Policy and Research.

In her previous role as the Council's manager of regional policy and research, Starling managed the collection and analysis of key data about the demographic and development patterns of the Twin Cities region. Prior to joining the Council, Starling served as research and evaluation director for Minnesota Housing and as director of policy, planning and measures at the Minnesota Department of Employment and Economic Development.

A native of central Pennsylvania, Starling holds a degree in English from Swarthmore College and a Master of Planning degree from the University of Minnesota's Humphrey School of Public Affairs.

Background

Since November 2018, the Civic Caucus has been focusing on the issues surrounding affordable housing in Minnesota. The Caucus interviewed the Metropolitan Council's Jon Commers and Libby Starling about the Council's role in planning for, encouraging, and assisting communities in retaining and developing affordable housing. Governor Tim Walz has appointed 16 new and returning Met Council members plus a new chair. Commers noted that after eight years on the Council, he did not apply to continue.

Discussion

1. Comprehensive planning.

The Metropolitan Council has a role in comprehensive planning in the seven-county metro region. The Council's Libby Starling said there is a cycle of comprehensive planning every 10 years. The Council's latest regional metropolitan development guide is *Thrive MSP 2040*, which includes plans for three metropolitan systems: transportation, regional parks and water resources. It also included the first update to the Met Council's housing plan since the mid-1980s. The plan was adopted in 2014.

Former Met Council member Jon Commers said the Council's powers are different in housing than in transportation, parks and water, because housing is not considered a metropolitan system. But, he said, the housing plan update in the *2040* plan has invigorated housing activities at the Council.

Starling said following the Metropolitan Council's release of its plan, cities then go into their own planning process, which they must do every 10 years. They have three years to develop their comprehensive plans. For example, the City of Minneapolis has developed the *Minneapolis 2040* comprehensive plan, which is currently under review by the Metropolitan Council.

Starling said cities must address the major development of infrastructure—"not too soon, not too little, not too late. They must look for just the right level of infrastructure and capacity over the long term." She said all counties, cities and townships in the seven-county area must submit comprehensive plans, which were due in December 2018 for the Council's review; about one-third of jurisdictions formally requested extensions.

Local elections can change what ends up in a city's comprehensive plan, Starling said. The Met Council reviews the cities' plans and may require cities to modify their comprehensive plans if they're not in sync with the Council's water resources, transportation and regional parks plans.

The kind of growth taking place in cities now and up through 2040 is different from what is familiar over the last generation. Commers, who represented part of Saint Paul on the Met Council, made that remark and said cities are not static things. "Growth is not always comfortable and can be threatening," he said. "But it's part of our current reality." Commers noted that resistance to metropolitan growth emerges in different forms, even in the core cities. As an example, he mentioned the strong neighborhood opposition to the proposed high-density redevelopment of the Ford Plant site in Saint Paul.

Commers discussed the *Minneapolis 2040* comprehensive plan, which he said is trying to accommodate population growth in the city and provide a wider range and larger inventory of housing. The plan generated a lot of opposition by individuals and neighborhoods, but, with some modifications, was eventually passed by the Minneapolis City Council. "There isn't really such a thing as choosing change or no change; our responsibility is to try to guide change so that everyone can benefit," Commers said.

How much does the Met Council plan for "black swan" types of events? An interviewer asked that question and gave the example of the homeless encampment that appeared in Minneapolis last summer. "Did anyone see that coming?" he asked.

Starling replied that there can be an inconsistency in the long-term perspective in comprehensive planning and immediate challenges like the encampment. "We know those events are out there, but we can't plan for them," she said.

The Metropolitan Council can be a political football, especially on housing. An interviewer made that remark and said the very notion of planning is politically charged. The interviewer asked how we can market planning politically in a nonpartisan way.

"When we speak to groups like people from the City of Indianapolis, they're enamored of the planning structure we have in place," Commers responded. "Another piece is that developing a regional wastewater treatment system, which was an explicit directive to the Met Council when it was created, is a regional solution that allows us to provide that service to people at a lower cost per person."

2. Met Council's *Thrive MSP 2040 Housing Policy Plan*.

The goal of the Met Council's *Thrive MSP 2040 Housing Policy Plan* is "to create *housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes.*" Starling discussed several of the Council's priorities in housing: (1) preserving the existing housing stock that provides naturally occurring affordable housing; and (2) reducing barriers to affordable housing.

Starling said government institutions-such as the Minnesota Housing Finance Agency-are often working to get as many affordable housing units as possible, which may create tension with neighborhoods that want mixed-income housing.

She pointed out financial barriers to mixed-income housing. She said financial institutions like financing developments with 100 percent affordable units. "If you ask for 50 percent market-rate and 50 percent affordable housing, they won't do it," she said.

Starling suggested that the Civic Caucus talk with Amy McCulloch, Deputy Director of Real Estate & Economic Development with **Twin Cities Local Initiatives Support Corporation (LISC)**, which is part of the national LISC organization. LISC supports projects to revitalize communities and bring greater economic opportunity to residents. Twin Cities LISC, located in Minneapolis, provides capital, strategy and know-how to its Twin Cities community-development partners.

Starling said McCulloch would be able to point out examples of developments that have been built that include both market-rate and affordable housing.

3. Met Council's 2040 demographics forecasts.

The Metropolitan Council does long-term forecasting in population, households and employment. Starling said the current set of forecasts out to 2040 date to 2015 and that three models are used to get to the forecasts:

1. A demographic model to account for natural growth, which includes birth rates and life expectancy, and accounts for two-thirds of population growth in the seven-county region. The demographic model also addresses household composition, which translates population growth into the number of housing units.
2. An economic model to forecast growth from migration. One-third of population growth in the region comes from international migration into the region. Domestic migration is "mostly a wash," she said, and doesn't lead to a significant increase in the number of residents in the region.
3. A land-use model that allocates growth to cities and townships across the region.

The Metropolitan Council's 2040 forecasts show two key demographic changes:

1. The aging of the metro region. Starling said in 1990, nine percent of the metro area's residents were age 65 or older, compared with 22 percent forecast by 2040. She said forecasts also show one-third of the area's households will be headed by someone age 65 and above by 2040. The city of Lilydale currently has the highest share of residents age 65 and older.

She said older adults like to stay in their community and that the average age of entry into senior housing and senior assisted living is the late 70s.

2. Racial and ethnic composition. Starling said by 2040, people of color will make up 39 percent of the population, compared to about 25 percent today.

"Those are influencing factors for cities in their comprehensive plans," she said.

When the Met Council released the *Thrive MSP 2040* plan in 2014, it found a demand for smaller housing units. Commers made that statement and said the market has been responding to that demand. "Households are smaller," he said. "There are not as many households with three, four or five children. There's a lot of growth among households of one or two adults, or one adult and one child. That has consequences for our housing stock and market."

4. Impact of affordable housing on business location.

Some aspects of housing policy are driven by the need for property-tax revenue. Commers made that remark and Starling added that growth in higher value residential

property tax base gets more of the property-tax burden off the commercial-industrial tax base. But parts of the metro area, she said, are losing out on commercial-industrial tax base, because they don't have a supply of affordable housing for the businesses' employees.

Until three years ago, Starling said, an employer could say all they needed was a large swath of land with highway access and "the workers will come to us." She offered the new Amazon facility in Shakopee as an example. "But we're in a workforce shortage," she said. "People can't get to lower-wage job opportunities because they can't afford to live nearby." Amazon has raised its starting wages to attract employees, she said, and Shutterfly would have located in Des Moines if they had known how hard it would be to get workers to their Shakopee location.

She said one employer was going to locate in Rosemount but changed its location to Saint Paul when it realized it couldn't get enough workers in Rosemount.

Is the Met Council involved in the process of local governments, such as the City of Shakopee, offering incentives for employers to locate there? An interviewer asked that question and Starling responded that it is not.

We have models of people working downtown, when there has been an enormous shift of job locations to the suburbs. An interviewer made that remark and said employers are moving out, going where they can get land.

5. Housing Cost Burden.

There are 100,000 households in the seven-county metro area in which people are spending 50 percent or more on housing. Starling pointed to that statistic and also said half of all rental households are spending 30 percent or more on housing.

See [Met Council graph of housing cost burden over time](#) . The graph, based on the U.S. Census and the American Community Survey, shows the percentage of metro-area households experiencing over time housing cost burden (i.e., spending 30 percent or more of their gross income on housing costs). As the graph shows, renters have been much more likely over time than homeowners to face the 30 percent housing cost burden. According to the most recent data, almost 30 percent of all metro-area households face the 30 percent housing cost burden, with more than one-fifth of owner households and nearly 50 percent of renter households facing that burden.

See short summary with maps of housing burden and other data at [handout from Met Council's Thrive MSP 2040 Housing Policy Plan](#).

6.What the Met Council and individual cities can do

to support more affordable housing.

Is the Met Council playing an affirmative role in encouraging cities that have a dearth of affordable housing? An interviewer asked that question following another interviewer's comment that the real disparity in lack of affordable housing is in the western suburbs of Minneapolis.

Starling responded that the Council is playing a role by doing data analysis, funding communities, doing technical assistance, giving moral support to local governments and helping cities determine how to write their comprehensive plans to be more supportive of affordable housing. **For example, the Council provided \$2,000,000 to assist in the development of 482 new units of affordable housing in Minnetonka.**

She also noted that the Council helped connect the City of Dayton to developers of affordable housing, leading to the construction of a 49-unit affordable housing development, the first-ever subsidized, affordable housing in Dayton.

What can cities do to support more affordable housing? Starling noted five strategies cities could use:

1. Allow affordable housing in land-use planning and zoning, both single-family and multifamily.
2. Partner with state agencies to build and preserve affordable housing.
3. Partner with developers of affordable housing. She said some of these developers are not being fully utilized. "There is more opportunity to do redevelopment for affordable housing," she said.
4. Assemble land for affordable housing.
5. Directly fund affordable housing by using tools such as Tax Increment Financing (TIF), housing bonds or housing trust funds.

Starling pointed out that anything that takes time is money to developers. "They'll go where the process is easier," she said.

For information on the seven-county region's affordable housing production, go to the Met Council's short February 2019 report, **"At a Loss: Affordable Housing Production in 2017".**

The report found that one in every eight new units added to the region's housing stock was affordable in 2017, a total of 1,731 units. Nearly 9,000 new affordable units have been added the region's housing stock since 2011, far below the 52,570 new affordable units needed between 2011 and 2020 to keep pace with household growth.

The report also said that losses of affordable units are more difficult to track and measure than production. However, known or estimated losses in even narrow segments of the

affordable housing market show that the region has likely lost more affordable units than it has produced since 2011.

We must work to prevent the loss of naturally occurring affordable housing. "It's aging and not the newest or shiniest, but it's affordable," Starling said. "Much of this housing has been snapped up by investors." She said the conversion of the Crossroads Apartments in Richfield into the Concierge complex is an example of this. Someone bought the building, did cosmetic improvements and then raised the rents.

She noted that an increasing share of newly constructed affordable housing is restricted to age 55 and over.

Some cities have recently instituted mixed-income housing policies. Starling gave that response to an interviewer's question about which cities are doing better in affordable housing. She said some developers are asking cities for zoning changes and financial assistance to build affordable housing.

Several cities have mixed-income housing policies that expect developers to include affordable housing in developments that have some level of city assistance. Starling identified St. Louis Park, Edina, Golden Valley and Brooklyn Park as cities that have instituted such policies.

Is anyone talking about putting manufactured housing and mobile homes in cities as affordable housing units? An interviewer asked that question and said cities don't want manufactured housing and mobile homes for financial and cultural reasons. Starling responded that mobile homes and trailers are distinct from factory-built houses, as the technology in building factory homes is improving.

Starling said there is almost no manufactured housing in the metro area outside of manufactured housing parks. She gave two examples of these parks: (1) Park Plaza in Fridley, which transitioned into cooperative ownership to preserve the park; and (2) a manufactured housing park in Corcoran, which the Met Council is assisting in connecting to the wastewater system, at a cost of nearly \$3,000 per unit.

Making housing more affordable is a question of skills and earning power as well as an issue of housing supply. Commers made that statement and said we must emphasize workforce development. "How can we help households grow their income?" he asked.

"Hennepin County is doing really strong, effective work along these lines," he said. "The county is working with high school graduates on credentialing, so they'll expand their earning power. It has made commitments to hire people within Hennepin County government and is going to other employers to ask them to do the same thing. It's an effective model."

We are doing better on affordable housing than most of our peer regions . Starling gave that response to an interviewer's question and said the Twin Cities area puts more money into housing and works more effectively as a region. "We have greater housing affordability than many of our competing regions," she said.